

FILED
OFFICE OF THE CLERK

01 FEB - 8 AM 9:42

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO
U.S. BANKRUPTCY COURT
ALBUQUERQUE N.M.

----- X
In re :
FURR'S SUPERMARKETS, INC., :
Debtor. :
----- X

11-01-10779-SA

Chapter 11

DECLARATION OF LORETTA CROSS IN SUPPORT OF APPLICATION
FOR ORDER UNDER 11 U.S.C. §§ 327(a) AND FED. R. BANKR. P. 2014
APPROVING RETENTION OF PRICEWATERHOUSECOOPERS, LLP AS
DEBTOR'S FINANCIAL CONSULTANTS

I, Loretta Cross, declare that:

1. I am a partner of PricewaterhouseCoopers, LLP. I submit this declaration in support of the Application, dated February 7, 2001, of the Furr's Supermarkets, Inc., debtor and debtor-in-possession (the "Debtor"), for an order under section 327 of the Bankruptcy Code, and Federal Rule of Bankruptcy Procedure 2014, approving the employment of PricewaterhouseCoopers, LLP ("PricewaterhouseCoopers") as the Debtor's accountants and financial consultants ("Financial Consultants"). Except as otherwise indicated, I have personal knowledge of the matters set forth herein and, if called as a witness, would testify competently thereto.

2. I am the PricewaterhouseCoopers partner principally responsible for this engagement. Copies of my biographical profile and the firm's resume are attached as Exhibit A to this Declaration.

3. PricewaterhouseCoopers has extensive experience in reorganization proceedings and enjoys an excellent reputation for financial consulting services it has provided in large and complex chapter 11 cases on behalf of debtors and creditors throughout the United States. PricewaterhouseCoopers' corporate recovery professionals have been involved in some of the largest and most complex bankruptcies in the United States and is qualified to assist the Debtor in this case in a cost-effective, efficient and timely manner.

SERVICES TO BE RENDERED

4. The Debtor has requested that PricewaterhouseCoopers perform the following services, among others:

(a) Assist in negotiations and attend meetings with bank lenders and any creditors' committees or their related professionals;

(b) Assist in the preparation or review of business plans, liquidation analysis and other necessary and desirable special projects or reports;

(c) Assist in the development, negotiation, and promulgation of plans of reorganization;

(d) Assist in the preparation of documents necessary for confirmation of this chapter 11 case, including financial information contained in the disclosure statements:

(e) Provide litigation consulting services and expert witness testimony if requested by the Debtor; and

(f) Perform other functions as requested by the Debtor and its counsel to aid the Debtor in its business reorganization, including, but not limited to, preparation of schedules of assets and liabilities, statements of financial affairs, analysis of preferences and fraudulent transfers, assistance in claims reconciliation and estimation, and assistance related to the Debtor's compliance with SOP 90-7 "Accounting for Companies in Reorganization."

5. Subject to the Court's approval of the Application, PricewaterhouseCoopers is willing to serve as the Debtor's Financial Consultants and to perform the services described above.

**CONNECTIONS WITH PARTIES IN INTEREST ON
NON-DEBTOR-RELATED MATTERS**

6. The Debtor requested that PricewaterhouseCoopers begin work on this chapter 11 case late last week. Accordingly, PricewaterhouseCoopers is still in the process of conducting a computerized conflicts check of its records. A supplemental declaration setting forth the results of this search will be filed as soon as the information

11. To the best of my knowledge, after my preliminary investigation, neither PricewaterhouseCoopers nor any of its partners, managers, associates or analysts is or ever has been a director, officer or employee of the Debtor.

12. To the best of my knowledge, after my preliminary investigation, no partner, manager, associate or analyst at PricewaterhouseCoopers is related to a United States Bankruptcy Judge for the District of New Mexico or to the United States Trustee for the District of New Mexico or any employee in the office thereof.

13. To the best of my knowledge, after the preliminary investigation, neither PricewaterhouseCoopers nor any of its partners, managers, associates or analysts has an interest materially adverse to the interests of the Debtor or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in the Debtor or for any other reason.

14. Based on the foregoing, I believe that PricewaterhouseCoopers, its partners, managers, associates and analysts are "disinterested persons," as that term is defined at Bankruptcy Code § 101(14), and do not hold or represent any interest adverse to the Debtor's estate or the Debtor.

PROFESSIONAL COMPENSATION

15. A letter setting forth the terms of this engagement was entered into between PricewaterhouseCoopers and the Debtor (the "Letter Agreement," a copy of which is attached to this Declaration as Exhibit B). Before the Petition Date, the Debtor paid PricewaterhouseCoopers a retainer of approximately \$200,000 under the terms of the Letter Agreement.

16. Under the Letter Agreement, PricewaterhouseCoopers will apply the retainer to pay any fees, charges and disbursements which remain unpaid as of the Petition Date, if any, and will retain the remainder of the retainer, if any, to be refunded to the Debtor to the extent it exceeds any fees, charges, and disbursements which remain unpaid at the end of this bankruptcy case.

17. Under the Letter Agreement, PricewaterhouseCoopers will charge the Debtor its current hourly rates for professionals resident in its domestic offices, as follows:

Partners	\$425 - \$595 per hour
Directors/Managers	\$300 - \$540 per hour
Senior Associates	\$200 - \$325 per hour
Associates and Analysts	\$100 - \$220 per hour

18. From time to time, the billing rates of the PricewaterhouseCoopers' personnel working on the Debtor's bankruptcy case may change, and any such rate changes will then be passed on to the Debtor.

19. Consistent with the firm's policy with respect to its other clients, PricewaterhouseCoopers will continue to charge the Debtor for all other services provided and for other charges and disbursements incurred in the rendition of services. These charges and disbursements include, among other things, costs for telephone charges, photocopying, travel, business meals, messengers, couriers, postage, witness fees and other fees related to trials and hearings.

20. The hourly rates set forth above are the firm's standard hourly rates for work of this nature. These rates are set at a level designed to compensate PricewaterhouseCoopers fairly for the work of its partners, managers, associates and analysts and to cover fixed and routine overhead expenses, including the items discussed above.

21. PricewaterhouseCoopers intends to apply to the Court for allowance of compensation earned and reimbursement of expenses incurred in this case in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, and orders of the Court. PricewaterhouseCoopers acknowledges that all compensation will be subject to this Court's review and approval, after notice and a hearing.

22. PricewaterhouseCoopers has no agreement with any other entity to share any compensation received, nor will any be made, except as permitted under section 504(b)(1) of the Bankruptcy Code.

DISPUTE RESOLUTION

23. PricewaterhouseCoopers and the Debtor have agreed to bring any controversy or claim with respect to PricewaterhouseCoopers' employment in this Bankruptcy Court (or in the District Court for the District of New Mexico if the District Court withdraws the reference) and to consent to the jurisdiction and venue of such court as the sole and exclusive forum (unless such court does not have or retain jurisdiction over such claims or controversies) for the resolution of such claims, causes of actions or lawsuits. The Debtor and PricewaterhouseCoopers (and any and all of their successors and assigns) have knowingly and voluntarily agreed to waive trial by jury. If the Bankruptcy Court (or the District Court if the reference is withdrawn) does not have or retain jurisdiction over the foregoing claims and controversies with the Debtor

and PricewaterhouseCoopers have agreed to submit to non-binding mediation; and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in Exhibit C.

24. PricewaterhouseCoopers has agreed not to raise or assert any defense based upon jurisdiction, venue, abstention or otherwise to the jurisdiction and

the District Court withdraws the reference) to hear or determine any controversy or claims with respect to, in connection with, arising out of, or in any way related to the services provided to the Debtor.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed this 6th day of February, 2001, at Houston, Texas.


Loretta Cross

LORETTA ROSE CROSS, CPA
Partner – Business Regeneration Services

Loretta is a Partner in the Business Regeneration Services practice for the Southern Region of PricewaterhouseCoopers LLP. Loretta has over 19 years of Big Five Public Accounting experience including audit, management consulting and financial consulting. Her specializations include:

Bankruptcy - Assisted clients on numerous bankruptcies during the last 6 years including Discovery one, Homeland Stores, WRT Energy, Inc., U.S. Homes, Global Marine, Damson Oil, Frost Bros., Sakowitz, Inc., Digicon, Inc., The Houstonian, Food Barn Stores, Inc. and GasMark, Ltd. She has represented Debtors, Secured Lenders and Unsecured Creditors. Her services range from liquidation strategies, recapitalizations and the sale of the company as a going concern.

Turnaround Profit Improvement - Provided turnaround services to over 30 companies in crisis, successfully avoiding bankruptcy or preparing a preplanned restructure.

Forensic Accounting - Assisted on numerous matters for both bankruptcy and litigation where asset tracing and fraud were concerned. She has been involved in large multimillion-dollar tracing as well as small bank lapping cases. Some of her experience is listed below:

- WRT Energy - Complex Chapter 11 where debt was converted to equity and the Company was recapitalized with a stock rights offering. Issues included valuation of oil and gas reserves, analysis of lien positions of creditors and viability of the reorganized entity.
- Discovery Zone, Inc. - Worked with the world's largest provider of children's amusement in creating proforma financial projections, determining which locations to close, preparing the monthly operating reports and schedules of assets and liabilities, restructuring administrative overhead and cash management, and developing a plan of reorganization.
- Homeland Stores Inc. - Assisted this multi-state grocery store chain in preparation for filing for bankruptcy protection, liquidation analysis of the company, created a bank book for use in locating new sources of capital, and constructed a developed a new cash forecasting system.

LORETTA ROSE CROSS, CPA continued

- Stanley Stores, Inc. - Assisted the \$250 million grocery store chain in preparation of all Bankruptcy Court required financial information, restructured administrative overhead and cash management, and developed a plan of reorganization.
- Food Barn Stores, Inc. - Responsible for assisting the Debtor with the preparation of the statements and schedules, establishing the claims monitoring process and establishing the monthly reporting process.
- GasMark, Ltd. - Complex Liquidating 11 with over \$10 million to distribute and \$25 million in litigation claims. Complex issues include (i.) oil and gas producer liens that are related to the tracing of gas to the resulting receivable and the eventual collection of cash collateral, (ii.) point of insolvency with an emphasis on using Mark to Market valuation techniques on gas physical and paper contracts including derivatives that are not traded on the open market, (iii.) fraudulent conveyance litigation related to the recovery of funds that were upstreamed from a partnership to the owner, and (iv.) preference search including the study of ordinary course and new value.
- U.S. Home - Performed the monthly monitoring of operations, analyzed the asset holdings, reviewed the overhead structure for potential cost cutting measures and analyzed the position of the debt. Performed an analysis of certain transactions to determine if they have a preferential or fraudulent nature.
- Digicon, Inc. - Reviewed the Company's ongoing cash position, analyzed the effects of growth on the cash position, calculated the effects of changing the borrowing base on cash. Evaluated the Company's strategic position within the industry, assessed the Company's five year forecast for viability, and assisted in the negotiations of recoveries for the creditors.
- Global Marine - Performed the monthly monitoring of the Debtor's operations, prepared an analysis of the values available to the creditors on a consolidated and on an unconsolidated basis, prepared an analysis of the overhead structure of the drilling company including the cost to hold idle assets, prepared an analysis of the secured and unsecured debt and existing collateral.
- Damson Oil - Determined the value of the assets being exchanged for stock in Parker & Parsely using three methods of valuation including discounted cash flow, industry comparable, and industry multiples.

- Houstonian Properties, Ltd. - Determined the nature of the transactions that occurred on the debtor's books that created a second class of creditors before the filing. Determined the cash flow provided by the operations of the properties.
- Ferromet Resources, Inc. - Reconstructed the Debtor's records for the Chapter 11 Trustee to enable him to obtain a \$1.4 million dollar tax refund, begin the collection efforts on \$10 million in receivable and to begin a fraudulent conveyance and preference actions for over \$7 million.
- Pemex - Traced the funds for the purchase of over 50 compressor units to establish over \$100 million in kickbacks paid to government officials over a 7 year period.

Professional:

Certified Public Accountant
Certified Fraud Examiner
Certified Insolvency and Reorganization Accountant

Education:

University of Texas - BBA/Accounting
Over 520 hours of Continuing Professional Education

Other Professional Achievements:

PLI instructor for national telecast of Understanding Financial Statements for Lawyers

Instructor for the Rice University Continuing Education Program on Profit Improvement Reviews

Instructor for the Ernst & Young Profit Improvement Review Course used to instruct over 200 Partners and Managers

PricewaterhouseCoopers LLP

PwC is a professional services firm that provides its clients with unparalleled breadth and depth of service in over 150 countries worldwide. PwC has over 150,000 professionals that provide services in the following areas:

Financial Advisory Services

- Business Recovery Services
- Corporate Finance & Investment Banking
- Corporate Valuation Consulting
- Dispute Analysis & Investigation
- Project Finance & Privatization

Consulting

- Business Process Reengineering
- Strategic Planning
- Logistics/Transportation
- Technology Solutions
- Operations Improvement
- Financial Management & Business Analysis

Audit and Business Assurance

- Financial Audit
- Assurance on Financial Information
- Internal Controls
- Compliance
- Assurance on Operating & Performance Information
- Computer Audit
- Internal Audit

Tax & Legal

- International Taxation
- Multi-State Taxation
- Tax Accounting
- Personal Financial Planning
- Services for Executives Abroad
- Research & Experimentation Tax Credits
- Tax Technology
- National Tax Services
- Transaction Advisory

Human Resources Advisory

- Organization Effectiveness
- Benefit & Retirement Plans
- Human Resource Technology
- Compensation & Incentives
- Casualty Actuarial & Risk Management
- Communications
- Training

Business Recovery Services

Our Business Recovery Services Group includes over 180 partners and 2,200 professionals worldwide.

Business Recovery Services' professionals assist clients to understand, measure and resolve business, operational and financial problems. Our professionals provide analytical and consultancy services to companies experiencing unfavorable situations arising from liquidity problems, over-leverage, under-performance, right-sizing or other business transition issues.

Our Business Recovery Professionals are an experienced, specialized team within the Financial Advisory Services Group. They are dedicated solely to solving critical business issues, developing strategies to overcome these issues and assisting the company to implement corrective actions and manage their creditor relationships.

Operational Improvements:

- Business Plan Preparation or Evaluation
- Market Assessments
- Logistics and Distribution Assessment
- Liquidity Needs
- Cost reduction and expense control recommendations
- Vendor Management/Negotiations
- Lender Negotiations

Financial Management:

- Transition Management
- Crisis Management
- Operational Rehabilitation
- Capital Restructuring and Alternative Financing
- Divestiture of Non-Core Assets

Debt Restructuring & Renegotiation:

- Re-establishing credibility with lenders
- Negotiating extensions and covenant waivers among bank and other debt holders
- Developing reporting capabilities to lenders
- Preparing short and long term projections

Qualifications and Relevant Experience

PwC is the leading revitalization advisory firm in the U S. Our professionals have advised management and other parties in interest in many of the most significant restructurings and turnarounds in recent years.

Discovery Zone - PwC was retained as financial advisors to Discovery Zone, Inc., an owner and operator of approximately 200 indoor entertainment and fitness facilities across the country. Our recommendations, which included developing a more efficient organizational structure (both in corporate and in the field) and closing stores which were not viable, resulted in reducing corporate and operational costs significantly. PwC also assisted the Company in developing DZ's business plan and improving its cash management processes (including short-term forecasting).

Emerson Radio Inc. - PwC provided financial advisory services before, during and after Chapter 11 proceedings for this \$600 million importer and distributor of consumer electronics. PwC performed a broad range of services including "crises" CFO services effectively responsible for handling daily management of the Company, provision of financial advice with respect to various components of the reorganization plan, leadership in developing various elements of disclosure and negotiating DIP financing.

Specialty Chemical Manufacturer - Represented a \$200 million plus worldwide manufacturer of chemicals during its out-of-court negotiation with lenders concerning short-term cash flow problems and longer term debt restructuring needs. The engagement encompassed the preparation of financial cash flow models, development of cash control systems to eliminate unnecessary spending, collateral analysis, review of budgets, negotiations with lenders and presentations to lenders. Achieved successful out-of-court restructuring.

Light Assembly Manufacturer and Distributor of Readable/Writable CD-ROM Drives - PwC assisted two subsidiaries of this \$1.4 billion company by writing policy and procedure modules for the warehouse in areas of shipping, receiving, stock, assembly and returned materials, as well as implementation through training. PwC also documented problems with accounts receivable and assisted with writing policies and procedures for the credit and collections department.

Major Discount Department Store Chain - PwC is currently retained to assist in the identification and resolution of real estate asset management difficulties. Our responsibilities include analyzing existing leases, creating standards for future leases and negotiating and establishing "best practices" through the study of quality control procedures.

Fruehauf Trailer Corp. - PwC represented Fruehauf Trailer Corporation, an international truck trailer manufacturer with \$400 million in sales in 1995, as financial advisor and in the sale of its assets. As part of the engagement, PwC negotiated a \$55 million DIP credit facility including a \$20 million bridge facility. PwC is further assisting the company in the winddown and liquidation of the estate.

Monon Corporation - PwC represented Monon Corporation, the fifth largest domestic truck trailer manufacturer (\$300 million in sales in 1995) in sales of its assets. As part of the engagement, PwC conducted discussions and due diligence with several strategic and financial buyers. The assets were purchased by a financial investor through Section 363 of the bankruptcy code in March 1997..

Jamesway Corporation - PwC was employed by the Debtor to assist in the restructuring of this \$750 million, 108-store retailer. PwC initially performed a store-by-store analysis which identified 14 underperforming locations to be closed. Additionally, PwC reviewed the operations of the Company to identify potential reductions in operating expenses. This review resulted in immediate cost reductions of \$10 million and additional reductions of \$6 million to be realized in future periods. In connection with the restructuring of the Company, PwC consulted with management in the development of a one-year business plan and the appropriate merchandising strategies to ensure the long-term viability of the Company.

Old America, Inc. - PwC was retained as the financial advisors for Old America Stores, Inc., a speciality retailer of arts and crafts located in Howe, Texas. We first helped the Company obtain debtor in possession financing by negotiating on the Company's behalf an additional \$5 million term loan with significant improvements in the overall advance rate. In addition to performing all of the necessary Chapter 11 reporting requirements, we also worked with the vendors and their committee to obtain post-petition trade credit during the first month of filing. As part of this process, we are currently working with management on developing several business regeneration strategies to revive the Company to its historical level and prepare for future opportunities.

Large International Manufacturer and Marketer of Office Supplies - PwC was retained by the debtor to serve as financial advisors and assist management with the Company's financial and operational restructuring. Our responsibilities included developing cash flow projections, developing restructuring initiatives and negotiating with the bank group in the debt restructuring.



PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1100 Louisiana
Suite 4100
Houston TX 77002
Telephone (713) 757 5200
Facsimile (713) 356 8500

Furr's Supermarkets Inc.
4411 The 25 Way N.E., Suite 100
Albuquerque, New Mexico
U.S.A. 87109

Attention: Mr. Tom Dahlen
Chief Executive Officer

February 2, 2001

Subject: Furr's Supermarkets, Inc.

Dear Mr. Dahlen:

Introduction

This letter confirms that we, PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"), have been retained by you, Furr's Supermarkets, Inc. ("Furr's" or the "Company") to provide the services ("the Services") set out below. We agree that this letter and the related Terms and Conditions constitute the arrangement pursuant to which such Services will be provided.

Scope of our Services

Furr's is hereby engaging PricewaterhouseCoopers to perform the following:

1. Advise the Company in preparing a cash flow budget for the 13-week period beginning January 28, 2001. This includes challenging assumptions, compiling information and presenting the budgets to certain of the Company's lenders; and
2. Advise the Company in the development of certain strategic alternatives, including, but not limited to, a potential filing for Chapter 11 Bankruptcy protection.

In addition to the services noted above, PricewaterhouseCoopers will provide other services as deemed necessary and mutually agreed between the Company and PricewaterhouseCoopers.



Furr's Supermarkets, Inc.
February 2, 2001

In addition to the services noted above, PricewaterhouseCoopers will provide other services as deemed necessary and mutually agreed between the Company and PricewaterhouseCoopers.

PricewaterhouseCoopers is engaged by the Company to provide consulting services only. Accordingly, while we may from time to time suggest various options which may be available to you, and further give our professional evaluation of each of these options, the ultimate decision as to which, if any, of these options to implement rests with the Company, its management and board of directors. PricewaterhouseCoopers and its individual partners and employees will not make any management decisions for the Company and will not be responsible for communicating information concerning the Company to the public or the Company's shareholders.

As part of our engagement, PricewaterhouseCoopers may be requested to assist the Company (and its legal or other advisors) in negotiating with the Company's creditors and equity holders and with other interested parties. In the event that we participate in such negotiations, the representations made and the positions advanced will be those of the Company and its management, not PricewaterhouseCoopers or its partners and employees.

Fees

Our fees will be based on time expended multiplied by our standard hourly rates for the level of staff involved. Hourly rates are revised from time to time. We will notify you of changes to our rates. Note that we do not provide any assurance regarding the outcome of our work and our fees will not be contingent on the results of such work. In addition, we will bill for reasonable expenses that are likely to include transportation, meals and hotel. At all times, every reasonable effort will be made to perform our services in the most efficient and cost effective manner.

Invoices for fees and expenses in connection with this engagement will be billed monthly and are due upon receipt. If we are not paid within 30 days of the invoice date, we shall be entitled, without prejudice to any other rights that we may have, to charge interest accruing on the sum due to us at the annual rate of 15 percent and to suspend provision of the Services until all sums due are paid in full.

Furr's Supermarkets, Inc.
February 2, 2001

Our customary practice in engagements such as this is to receive an initial retainer of \$200,000. The retainer, which is payable upon the execution of this letter, will be held and applied to the final bill for the Services, with any excess refunded to you. This retainer is not intended to be an estimate for the total cost of the work to be performed.

We will advise you if any situation comes to our attention that would materially affect the terms of this engagement letter.

Terms and Conditions

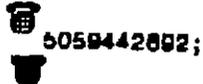
The attached terms and conditions (the "Terms and Conditions") set forth the duties of each party with respect to the Services. This letter and the terms and conditions attached comprise the entire contract ("the Contract") for the provision of the Services to the exclusion of any other express or implied term, whether expressed orally or in writing, including any conditions, warranties and representations and shall supersede all previous letters of engagement, undertakings, agreements and correspondence regarding the Services.

Assignment

This Agreement and the rights and obligations herein shall not be assignable or transferable by any party hereto without the prior written consent of the other parties hereto, except that it is understood that PricewaterhouseCoopers LLP may assign this Agreement or any portion of it to any successor in interest to all or part of its Financial Advisory Service practice without the prior written consent of any other party hereto.

Governing Law and Jurisdiction

The Contract shall be governed by and interpreted in accordance with the laws of Texas. The Courts of Texas shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the Contract and any matter arising from it. The parties irrevocably waive any right they may have to object to any action being brought in these Courts, to claim that the action has been brought to an inconvenient forum or to claim that those Courts do not have jurisdiction.



*Furr's Supermarkets, Inc.
February 2, 2001*

Acknowledgement and Acceptance

Please acknowledge your acceptance of the terms of our engagement under the Contract by signing the confirmation below and returning a copy of this letter and a copy of the attached terms and conditions to us at the above address.

If you have any questions regarding this letter or the attached terms and conditions, please do not hesitate to contact us.

Yours very truly,
PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Loretta R. Cross

Acknowledgement and Acceptance

Having read both the above Letter of Engagement from PricewaterhouseCoopers LLP and the Terms and Conditions attached thereto, we agree to engage PricewaterhouseCoopers LLP upon the terms set out therein.

Furr's Supermarkets, Inc.

By: *Furr's Supermarkets*
Name: *[Signature]*
Title: *President/CEO*

Furr's Supermarkets, Inc.
February 2, 2001

STANDARD TERMS AND CONDITIONS

The following are the terms and conditions (the "Terms and Conditions") on which we will provide the Services to you set forth within the attached Letter of Engagement with Furr's Supermarkets, Inc. dated February 2, 2001. The Letter of Engagement and the Terms and Conditions are together referred to as the "Engagement". The Engagement forms the entire agreement between us relating to the Services. It replaces and supersedes any previous proposals, correspondence understandings or other communications whether written or oral. The headings and titles in the Engagement are included to make it easier to read but do not form part of the Engagement.

1. Reports and Advice

- 1.1 **Reliance on drafts** – You acknowledge that no reliance shall be placed on draft reports, conclusions or advice, whether oral or written, issued by us as the same may be subject to further work, revision and other factors which may mean that such drafts are substantially different from any final report or advice issued.
- 1.2 **Our responsibility for final reports** – In the event we will be acting as independent experts, our reports or advice must be objective and impartial. While we will be prepared to discuss draft reports, which do not constitute our final opinion, the content of our final report is a matter for us alone.
- 1.3 **Use and purpose of advice and reports** – Any advice given or report issued by us is provided solely for your use and benefit and only in connection with the purpose in respect of which the Services are provided. Unless required by law, you shall not provide any advice given or report issued by us to any third party or refer to us or the Services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to which any advice or report is disclosed or otherwise made available.

2. Information and Assistance

- 2.1 **Provision of information and assistance** – Our performance of the Services is dependent upon you providing us with such information and assistance as we may reasonably require from time to time.
- 2.2 **Punctual and accurate information** – You shall use reasonable skill, care and attention to ensure that all information we may reasonably require is provided on a timely basis

STANDARD TERMS AND CONDITIONS

(Continued)

and is accurate and complete. You shall also notify us if you subsequently learn that the information provided is incorrect or inaccurate or otherwise should not be relied upon.

- 2.3 **Your responsibility for information provided** – Any reports issued or conclusions reached by us may be based upon information provided by and on your behalf.
- 2.4 **No assurance on financial data** – While our work may include an analysis of financial accounting data, this engagement will not include an audit, compilation or review of any kind of any financial statements. The Company management will be responsible for any and all financial information prepared during the course of this engagement, and we will not examine or compile any such financial information. Accordingly, as part of this engagement, we will not express any opinion or other form of assurance on the financial statements or financial components of the Company.
- 2.5 **Prospective financial information** – In the event the Services involve prospective financial information, our work will not constitute an examination, compilation or apply agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants, and we will express no assurance of any kind on such information. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We will take no responsibility for the achievability of the expected results anticipated by the management of the Company.

3. Fees and Additional Services

- 3.1 **Changes to Services** – Either party may request changes to the Services. Any variation to the Engagement, including any variation to fees, services or time for performance of the Services, must be separately agreed to in writing and, if agreed, shall form part of the Engagement and to which these Terms and Conditions shall apply.

- 3.2 **Payment of fees** – Time for payment of fees and expenses shall be of the essence.

If you disagree with or question any amount due under an invoice submitted by us, you shall communicate such disagreement to us, in writing, within 30 days of the invoice date. Any claim not made within that period shall be deemed to be waived.

- 3.3 **Your responsibility for other parties** – You shall be solely responsible for the work and fees of any other party engaged by you to participate in the Engagement regardless of whether such party was introduced to you by us. Except as provided in the Letter of Engagement, we shall not be responsible for providing or reviewing specialist advice or services including legal, regulatory, accounting or taxation matters.

STANDARD TERMS AND CONDITIONS

(Continued)

4. Confidentiality

4.1 Restrictions on confidential information – Both parties agree that any confidential information received from the other party shall only be used for the purposes of providing or receiving Services under this or any other contract between us. Except as provided below, neither party will disclose the other party's confidential information to any third party without the other party's consent. Confidential information shall not include information that:

4.1.1 is or becomes generally available to the public other than as a result of a breach of an obligation under this clause;

4.1.2 is acquired from a third party who, to our knowledge, owes no obligation of confidence in respect of the information; or

4.1.3 is or has been independently developed by the recipient.

4.2 Disclosing confidential information – Notwithstanding clause 4.1 above, either party will be entitled to disclose confidential information of the other to a third party to the extent that this is required by valid legal process provided that (and without breaching any legal or regulatory requirement) where reasonably practicable not less than 2 business days notice in writing is first given to the other party.

4.3 Citation of engagement – Without prejudice to Clause 4.1 and Clause 4.2 above, we may cite generally the performance of the Services to our clients and prospective clients as an indication of our experience, unless we both specifically agree otherwise in writing.

4.4 Internal quality reviews – Notwithstanding the above we may disclose any information referred to in this Clause 4 to any other PricewaterhouseCoopers entity or use it for internal

quality reviews.

4.5 Maintenance of workpapers – Notwithstanding the above, we may keep one archival set of our working papers from the Engagement, including working papers containing or reflecting confidential information, in accordance with our professional standards. It is the policy of PricewaterhouseCoopers not to retain copies of our working papers for more than two years after our work is completed.

5. Termination

5.1 Termination of Engagement with notice – Either party may terminate the Engagement for whatever reason upon written notice to the other party. Upon receipt of such notice, we will stop all work immediately. You will be responsible for all fees and expenses



STANDARD TERMS AND CONDITIONS

(Continued)

incurred by PricewaterhouseCoopers through the date termination notice is received.

5.2 Continuation of terms The terms of the Engagement that expressly or by implication are intended to survive its termination or expiration will survive and continue to bind both parties.

6. Indemnification and Liability Limitation

6.1 Indemnification – You agree to indemnify and hold harmless PricewaterhouseCoopers and its personnel from any and all claims, liabilities, costs and expenses relating to services PricewaterhouseCoopers renders under this Letter of Engagement, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of PricewaterhouseCoopers relating to such services.

6.2 Limitation of liability -- In no event shall PricewaterhouseCoopers be liable to you, whether a claim be in tort, contract or otherwise:

- (a) for any amount in excess of the total professional fees paid by you under this Letter of Engagement letter; or
- (b) for any consequential, indirect, lost profit or similar damages relating to PricewaterhouseCoopers's services provided under this Letter of Engagement letter, except to the extent finally determined to have resulted from the wilful misconduct or fraudulent behavior of PricewaterhouseCoopers relating to such services.

6.3 Commencement of legal proceedings – You accept and acknowledge that any legal proceedings arising from or in connection with the Engagement (or any variation or addition thereto) must be commenced within one year from the date when you become aware of or ought reasonably to have become aware of the facts which give rise to our alleged liability and in any event not later than two years after any alleged breach of contract or act of negligence or commission of any other tort.

6.4 Waiver of jury trial – In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense, you and PricewaterhouseCoopers agree not to demand a trial by jury in any action, proceeding or counterclaim arising out of or relating to our services and fees for this engagement.

7. Filing for Bankruptcy Protection

7.1.1 In the event that management of the Company or its Board of Directors considers filing for protection under Title 11 of the United States Code, the Company agrees to use its

STANDARD TERMS AND CONDITIONS

(Continued)

best efforts to have the Court enter an order appointing PricewaterhouseCoopers as its financial advisors on terms substantially equivalent to those outlined herein.

8. Results

8.1 You accept and acknowledge that we have not made any warranties or guarantees of any nature with respect to the results, outcome or final developments in this matter or with respect to the economic, financial or other results which you may experience as a result of the provision of the Services.

9. Working for Other Clients

9.1 We will not be prevented or restricted by anything in the Engagement from providing services to other clients. We will take reasonable steps to ensure that confidential information communicated to us during the course of this Engagement will be maintained confidentially and will not be disclosed or made available to partners, principals and staff who do not have a need to know such information for purposes of performing the Engagement.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Confirmation of Terms of Engagement

We agree to engage PricewaterhouseCoopers upon the terms set forth in these Standard Terms and Conditions and the related Letter of Engagement from PricewaterhouseCoopers.

Furr's Supermarkets, Inc.

[Signature]

Signature

President/CEO

Title

Conrad...

Print Name

2/6/01

Date

EXHIBIT C
Dispute Resolution Procedures

The following procedures shall be used to resolve any controversy or claim ("dispute") as provided in this Agreement. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. In the mediation process, the parties will try to resolve their differences voluntarily with the aid of an impartial mediator, who will attempt to facilitate negotiations. The mediator will be selected by agreement of the parties. If the parties cannot agree on a mediator, a mediator will be designated by the American Arbitration Association ("AAA") or JAMS/Endispute at the request of a party. Any mediator so designated must be acceptable to all parties.

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute.

The mediation will be treated as a settlement discussion and therefore will be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Arbitration

If a dispute has not been resolved within 90 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute will be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the Arbitration Rules for Professional Accounting and Related Services Disputes of the AAA ("AAA Rules").